

The Dynamics of Asian Financial Integration

Facts and Analytics

Edited by Michael B. Devereux, Philip R. Lane, Cyn-Young Park, and Shang-Jin Wei

The book attempts to achieve two goals by assessing the degree of regional and global financial integration and unveiling the drivers of such integration. First, it lays out analytical frameworks that are foundations for measuring the degree of integration in the financial asset market and direct investment flows, business cycle synchronization and financial contagion, and consumption and output risk-sharing. Second, by applying the rigorous frameworks, the book provides an up-to-date assessment of the extent of regional and global financial integration in Asia, documenting the complexity in the different patterns of the integration and quantifying their consequences. Its chapters look into three broad aspects of regional and global financial market integration: (i) measurement of regional and global financial integration, (ii) understanding dynamics of regional financial integration versus global financial integration, and (iii) welfare implications from regional financial market integration amid financial globalization.

The global financial crisis presents a timely opportunity for Asian policy makers to rethink their strategies for financial deregulation and liberalization, and carefully reconsider a next step for further integration among regional financial markets and beyond. An ultimate question is whether and to what extent financial integration is beneficial for economic growth. By assessing the progress of regional financial integration in East Asia in relation to the trend of financial globalization, this book will help address some of these challenges facing the region's policy makers.

Book Chapters:

Executive Summary and Overview

Michael B. Devereux, Philip R. Lane, Cyn-Young Park and Shang-Jin Wei

1. Regional and Global Financial Integration: an analytical framework
Philippe Martin
2. International Capital Mobility of East Asian Economies: is domestic investment financed by regional or global saving?
Soyoung Kim, Sunghyun H. Kim, and Cyn-Young Park
3. The Evolution of Regional and Global Risk-Sharing in East Asian Economies
Pierfederico Asdrubali and Soyoung Kim
4. Regional and Global Drivers of the Portfolio Holdings of Asian Investors
Philip R. Lane
5. Regional and Global Short-Term Financial Market Integration in Asia: evidence from the interbank markets under the crises
Shin-ichi Fukuda
6. Stock Market Integration and Financial Contagion
Kee-Hong Bae
7. Stock Market Integration: emerging East Asia's experience
Marthe Hinojales and Cyn-Young Park
8. Global and Regional Financial Accelerator Integration
Woon Gyu Choi and David Cook
9. Financial Contagion and Vulnerability of Asian financial markets
Michael B. Devereux and James Yetman
10. Not All Financial Integration is Created Equal: the composition matters
Shang-Jin Wei
11. What Happened to the East Asian Business Cycle?
Jean Imbs